Department of Finance

Newfoundland Government Fund Limited

2013 Annual Report

June 2014

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NEWFOUNDLAND GOVERNMENT FUND LIMITED

P.O. Box 8700
St. John's, NL A1B 4J6

June 13, 2014

Honourable Charlene Johnson
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL A1B 4J6

Dear Minister Johnson:

Newfoundland Government Fund Limited is a Crown Corporation which was established as a Government-administered venture capital fund under the *Immigration Act* (Canada) to raise funds from immigrant investors in order to provide loans or equity capital to promote economic development within the Province. Pursuant to the provisions of the *Transparency and Accountability Act*, the Board of Directors is responsible for the preparation of an Annual Report. As this Corporation has repaid all immigrant investors and is no longer transacting new business, neither the Strategic Directions of Government (as communicated by the Minister of Finance) nor the Mission of the Department of Finance is considered applicable to its operations.

As Chair of the Board, it is my pleasure to submit the Annual Report for the year ended December 31, 2013. The Board of Directors has approved the information contained in this Report and is accountable for the results contained in the Report.

This will be the final Annual Report for Newfoundland Government Fund Limited as it ceased carrying on business during 2013 and Articles of Dissolution were filed on March 25, 2014.

Sincerely,

Donna Brewer

Donna Brewer
Chair of the Board

1.0 Corporate Overview

Authority
Newfoundland Government Fund Limited ("NGFL") was incorporated on November 10, 1995 under the *Corporations Act* of the Province. All shares of the Corporation are held by Ministers of the Crown on behalf of the Province and the affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant Governor in Council.

Purpose
NGFL is a Government-administered venture capital fund under the *Immigration Act* (Canada) and Regulations. In September 1996, NGFL issued an Offering Memorandum to raise funds from immigrant investors in order to provide loan and equity capital to establish, expand, or revitalize businesses or commercial ventures in the Province, particularly where there were opportunities to partner with private sector companies for the provision of services and facilities traditionally provided by the public sector. For immigrant investors, in addition to earning a nominal return on their capital, their investment in NGFL helped satisfy a portion of the visa requirements under Canada's Immigrant Investors Program.

Board Representation and Accountability
The affairs of NGFL are overseen by a Board of Directors appointed by the Lieutenant Governor in Council. All Board members are employees of the Province, with the position of Chair held by the Deputy Minister of Finance. The members of the Board and their positions as at December 31, 2013 were as follows:

Ms. Donna Brewer (Chair)
Deputy Minister of Finance

Mr. Peter Au
Assistant Deputy Minister
Taxation and Fiscal Policy
Department of Finance

Mr. Alastair O'Rielly
Deputy Minister of Innovation, Business and Rural Development

Mr. Paul Myrden (Secretary)
Director of Debt Management
Department of Finance

Ms. Janet Vivian-Walsh
Deputy Minister of Education

Operational and Corporate Information
NGFL has no direct employees as the day-to-day affairs are administered by employees of the Department of Finance. Contact information is as follows:

Mailing Address:

Newfoundland Government
Fund Limited
c/o Department of Finance
Confederation Building
East Block, Main Floor
P. O. Box 8700
St. John's, NL
A1B 4J6

Office Location:

Debt Management Division
Department of Finance
Confederation Building
East Block, Main Floor
Telephone: (709)-729-3166
Fax: (709) 729-2070

Departmental Website: www.gov.nl.ca/fin

2.0 Highlights and Accomplishments

Sources of Funding
NGFL's offering comprised 140 units, each of which represented a $250,000 promissory note, bearing interest at 2% per annum and repayable five years after the date funds were invested in eligible projects. Funds raised through the issue and sale of these units were to be distributed as follows:

Distribution, marketing, legal and accounting costs	10%
A reserve to refund investors who may be refused a visa	20%
Available for investment in eligible projects	70%
	100%

The offering expired on June 30, 1998 and no subscriptions for investor units could be accepted after that date. Due to the fact that many subscribers had been denied a visa or were no longer considering immigration to Canada, NGFL completed only 92 of the planned 140 units, representing total potential funding of $23.0 million. Of this amount $16.1 million (i.e. 70%) was required to be invested in a minimum of two eligible projects.

NGFL ultimately invested $14.1 million, representing 70% of the proceeds of 81 closed investor units, in two projects. The first investment, in 2000, was $9.4 million in a new health care facility constructed at Norris Point, Bonne Bay. The Corporation's investment represented a loan to the private sector developer which constructed the facility for lease to Western Regional Health Authority. For its second investment, in 2002, NGFL advanced a loan of $4.7 million to a private sector developer for construction of a school at Lawn, for lease to the Newfoundland and Labrador Education Investment Corporation (later assigned to the Province). The loans to the developers were for terms of five years at an interest rate of 5%, and the financing structure

for both projects linked repayment by the developers to NGFL's retirement of the promissory notes issued to immigrant investors.

Payments and Collections

Both private sector developers defaulted on their repayment obligations to NGFL. NGFL enforced the security provisions of its loan agreements, which resulted in the hospital being acquired by the Western Regional Health Authority, and the school being purchased by the Province. During 2007-08, the Province advanced additional funding of $1.6 million to cover NGFL's cash shortfall on its investments, thereby enabling the Corporation to fully repay the 81 investors. The remaining 11 subscribers, representing net funding of some $2.0 million available for investment, did not have their funds invested in an eligible project. Citizenship and Immigration Canada approved the transfer of these 11 subscribers to the new Federal immigrant investor program and this process was finalized in 2008.

3.0 Performance Report

Although NGFL prepared an Activity Plan for the period 2011 – 2013 to meet legislative requirements, all investors had been repaid and all operational activities completed prior to the start of this period. Thus, there were no planned objectives and no further activities to report for the year.

4.0 Opportunities and Challenges

Legal action against the two private sector developers, a related construction company, and the principal shareholder of all three companies had been commenced by the Department of Justice. However, subsequent to the year-end and upon application by the defendants, the judge dismissed NGFL's action and awarded costs to the defendants. The legal action was dismissed during 2013, and NGFL filed Articles of Dissolution on March 25, 2014.

5.0 Financial Statements

NGFL was incorporated under the *Corporations Act* and there is no specific Provincial legislation requiring the Corporation to prepare audited financial statements.